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Recommendations of the Board of Auditors

UNITED NATIONS POPULATION FUND

FOLLOW-UP TO THE REPORT OF THE UNITED NATIONS BOARD OF AUDITORS FOR 2006-2007: STATUS OF IMPLEMENTATION OF RECOMMENDATIONS

Report of the Executive Director

Summary

Pursuant to decision 97/2 of the Executive Board, the Executive Director is pleased to submit a progress report on the implementation of the recommendations of the United Nations Board of Auditors for UNFPA, for the biennium that ended 31 December 2007 (A/63/5/Add.7).

This report updates the action taken by UNFPA to implement the recommendations of the Board of Auditors, as contained in document A/63/5/Add.7. A separate annex, available on the website of the Executive Board secretariat (www.unfpa.org/exbrd/2009/2009_first.html), provides further details of the audit recommendations and the status of their implementation. UNFPA also addressed audit issues in its report on internal audit and oversight activities in 2007 (DP/FPA/2008/11), which it submitted to the annual session 2008 of the Executive Board.

In accordance with Executive Board decision 2005/8, the present report indicates the priority accorded to each of the audit recommendations. As of 15 October 2008, UNFPA had implemented, or was in the process of implementing, 58 accepted recommendations of a total of 60 recommendations of the Board of Auditors. UNFPA has institutionalized the follow-up process for implementing the audit recommendations and put in place a system to ensure that necessary action has been taken. The senior management of UNFPA has designated national execution as one of its highest corporate priorities. UNFPA has included the implementation of the recommendations of the Board of Auditors as an indicator for corporate, division and staff performance, and is well equipped to implement all audit recommendations by December 2009. UNFPA also seeks to move beyond the implementation of the audit recommendations in order to address underlying systemic issues.

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I. INTRODUCTION

1. Pursuant to decision 97/2 of the Executive Board, the Executive Director is pleased to submit to the Board a progress report on the implementation of the recommendations of the United Nations Board of Auditors for UNFPA, for the biennium that ended 31 December 2007 (A/63/5/Add.7). In document A/63/474, the Advisory Committee on Administrative and Budgetary Questions reviewed the report of the Board of Auditors and the corresponding report of the Secretary-General (A/63/169).

2. This report updates the action taken by UNFPA to implement the recommendations of the Board of Auditors, as contained in document A/63/5/Add.7. UNFPA also addressed audit issues in its report on internal audit and oversight activities in 2007 (DP/FPA/2008/11), and in the management response to that report, submitted to the annual session 2008 of the Executive Board.

3. In accordance with Executive Board decision 2005/8, this report also indicates the priority accorded to each audit recommendation. The report is organized as follows:

(I) Introduction;

(II) Status of implementation of the audit recommendations;

(III) Conclusion;

(IV) Recommendation.

4. The paragraph numbers cited in the present document correspond to those contained in the report of the United Nations Board of Auditors (A/63/5/Add.7).

II. STATUS OF IMPLEMENTATION OF THE AUDIT RECOMMENDATIONS

5. The Executive Director is pleased to report that UNFPA has implemented, or is in the process of implementing, 58 accepted recommendations of a total of 60 recommendations made by the United Nations Board of Auditors for the biennium that ended 31 December 2007. As part of its efforts to improve governance, oversight and accountability, UNFPA will ensure that all recommendations made by the United Nations Board of Auditors will be fully implemented in a timely manner. Furthermore, UNFPA is engaging in a rigorous exercise to address the systemic issues related to national execution, a primary concern of the Board of Auditors.

6. In line with the report of the Secretary-General to the sixty-third session of the General Assembly on the implementation of the recommendations of the Board of Auditors on the financial statements of United Nations funds and programmes for the financial period that ended 31 December 2007 (A/63/169), the table below provides a summary of the implementation of the

recommendations by area of responsibility. It also indicates the priority given to each of the recommendations.

Implementation status of recommendations by area of responsibility

Division/ country office	Number of recommendations	Not implemented	Implemented	In progress	Priority		
					High	Medium	Low
Division for Management Services	34 (of which 2 recommendations were not accepted)		24	8	5	29	
Division for Oversight Services	1			1	1		
Division for Human Resources	9		5	4		9	
Executive Coordinator, National Execution	9		1	8	4	5	
Office of the Executive Director	1		1			1	
Programme Division	4		2	2		4	
Regional offices	1			1		1	
Country office	1		1			1	
Total	60	-	34	24	10	50	-

7. UNFPA is pleased to report that it has implemented 34 of a total of 58 accepted recommendations of the Board of Auditors, representing 58.6 per cent of the recommendations. UNFPA is on track in implementing the remaining 24 recommendations. UNFPA expects to fully implement the remaining recommendations by the target completion dates contained in the audit recommendation table available on the UNFPA Executive Board web page (www.unfpa.org/exbrd/2009/2009_first.html).

8. To strengthen its analysis, UNFPA grouped the recommendations by the risk categories defined in paragraph 30 of document DP/FPA/2006/4. The recommendations are grouped into the following categories: (a) people risk; (b) process risk; (c) relationship risk; and (d) technology and systems risk. The paragraphs that follow summarize the action taken by UNFPA to address the recommendations in each risk category.

A. People risk

9. This group includes recommendations relating to personnel succession planning, contractual arrangements of temporary personnel, staff performance appraisal, training, leave administration and reporting of fraud.

10. There are eight recommendations in this group: one recommendation is of high priority (paragraph 164); and seven recommendations are of medium priority (paragraphs 133, 140, 145, 154, 174, 176 and 182). UNFPA has implemented four medium-priority recommendations (paragraphs 133, 145, 174 and 176). This represents 50 per cent of the recommendations in this group. Implementation of the other recommendations is under way.

11. Regarding the recording of leave and attendance, UNFPA has identified headquarters leave monitors and alternates and trained them in Atlas absence processing. Absence processing for locally recruited field staff is already administered in Atlas. UNFPA will process leave for headquarters-administered staff in Atlas as soon as the new Atlas absence-processing module has been introduced. Until that time, UNFPA will continue to monitor leave records manually (paragraph 140). The automation proposal described in paragraph 29 of this report will further address this issue.

12. UNFPA has prioritized and defined the elements of a succession-planning framework. A number of the elements are already operational. For example, UNFPA has established: (a) rosters for key positions; (b) a rotation process; (c) lists of anticipated vacancies; and (d) a web-based e-recruit system to streamline the screening process. UNFPA will complete the development of its succession-planning framework by the end of 2008 (paragraph 154).

13. A new module is being introduced in Atlas to track the status of service contracts and short service agreements. As a result, UNFPA has postponed the implementation of the web-based system developed for field offices to facilitate the tracking of service contracts and short service agreements (paragraph 182).

14. In 2008, results-based budgeting became operational in UNFPA. The new methodology will provide greater clarity on the use of project and biennial support budget funds. UNFPA is collaborating with UNICEF and UNDP on this issue. The study on cost classification being undertaken by the finance and budget network of the High-level Committee on Management will provide further guidance (paragraph 164).

B. Process risk

15. This group includes recommendations related to the funding of posts, procurement activities and assets, staff benefits, reporting, audit charter and coverage, and monitoring the implementation of audit recommendations.

16. There are 38 recommendations in this group: three recommendations are of high priority (paragraphs 43, 47 and 371), and 33 recommendations are of medium priority (paragraphs 26, 29, 54, 59, 67, 72, 75, 79, 84, 88, 93, 99, 102, 106, 115, 120, 126, 259, 274, 290, 304, 305, 316, 321, 331, 336, 344, 348, 355, 359, 364, 367 and 397).

17. UNFPA has not accepted two recommendations in this group (paragraphs 167 and 297). Under the current budget methodology, a post is either funded entirely through the biennial support budget or funded entirely through project funds. UNFPA, therefore, does not accept the recommendation of allocating the costs and time spent of specific posts between different sources of funding (paragraph 167). With regard to accounting for fees for procurement services, UNFPA has informed the Board of Auditors that it does not act as a procurement agent in third-party procurement transactions. Rather, UNFPA is a development partner. The procurement of commodities for and on behalf of programme countries is done within the implementation of the country programme, the UNFPA strategic plan and the UNFPA mandate. Work is under way in the United Nations system task force on international public sector accounting standards on how to capture such income within international public sector accounting standards. UNFPA will adjust, as necessary, its accounting practice with the recommendations made by the task force (paragraph 297).

18. UNFPA has implemented one high-priority recommendation (paragraph 43) and 26 medium-priority recommendations (paragraphs 26, 29, 54, 59, 75, 79, 84, 88, 93, 99, 102, 106, 259, 274, 304, 305, 316, 321, 331, 336, 348, 355, 359, 364, 367 and 397). UNFPA has implemented 71 per cent of the recommendations in this group; the implementation of the other recommendations is under way.

19. UNFPA is working with other United Nations organizations that use Atlas to develop a risk-mitigation strategy to address the risks arising from the implementation of the international public sector accounting standards. The development of the strategy is, however, dependent on the cut-off date for upgrading Atlas and addressing unresolved issues arising from the implementation of the international standards (paragraph 47).

20. UNFPA has adopted a timetable for submitting timely country office annual reports in 2009 (paragraph 67). The UNFPA regional offices will review the country office annual reports in order to verify the information provided in the annual reports. In addition, country offices are expected to provide supporting documentation in the UNFPA document repository, *Docushare* (paragraph 72).

21. With regard to the global contraceptive commodity programme, the value of the stock is disclosed in a note in the UNFPA financial statements. In future, UNFPA will disclose the value of the stock as per the requirements of the international public sector accounting standards. In addition to the quarterly reports submitted to headquarters by the Procurement Services Branch, the suppliers of the global contraceptive commodity programme prepare monthly reports summarizing the stock on hand. Reporting is combined with periodic, on-site stock check visits

conducted by the Procurement Services Branch to review the inventory (paragraphs 115, 120 and 126).

22. With regard to reconciling bank balances with the responsible UNDP entity, UNFPA will instruct all country offices to incorporate in the memorandums of understanding and service-level agreements, appropriate language requiring UNDP to submit charges and bills to UNFPA no later than 45 days after year-end (paragraph 290).

23. With regard to procurement plans, UNFPA launched a web-based, procurement-planning tool in 2008, with which country offices submit their procurement plans. Efforts are under way to improve the forecasting capability of the tool and the changes in the quality and quantity of the data (paragraph 344).

24. With regard to the recommendation on increasing the coverage of headquarters audits and financial statement matters, the 2008 audit plan of the Internal Audit Branch of the Division for Oversight Services covers headquarters entities. Future audit plans will continue to improve coverage of headquarters entities (paragraph 371).

C. Relationship risk

25. This group includes recommendations relating to interactions between UNFPA and its implementing partners and related processes, as well as the costing methodology for services provided for UNFPA.

26. There are 13 recommendations in this group: five recommendations are of high priority (paragraphs 201; 202, 203, 208 and 258), and eight recommendations are of medium priority (paragraphs 146, 221, 223, 229, 233, 245, 280 and 285). UNFPA has implemented two high-priority recommendations (paragraphs 202 and 258) and one medium-priority recommendation (paragraph 280). This represents 23 per cent of the recommendations in this group. Implementation of the other recommendations is under way.

27. The Executive Committee of UNFPA has designated national execution as one of the highest priorities for the organization. UNFPA is taking the following action to address the high-priority and medium-priority recommendations (paragraphs 201, 203, 208, 221, 223, 229 and 233) related to national execution:

(a) All UNFPA representatives, concerned national staff, and managers at global and regional levels are accountable for national execution through the performance appraisal and development system.

(b) UNFPA is revising the terms of reference for national execution audits to further strengthen aspects related to the scope of audits, the coverage of expenditures (including once-in-a-lifetime audit of projects with expenditures below $50,000), standards and the basis for expressing audit opinions.

(c) UNFPA has transferred the national execution database to the Executive Coordinator, National Execution. This will permit systematic analysis by a unit that is independent of internal oversight and will allow better follow-up by management, including the regional offices. Through persistent follow-up, the regional offices have been effective in increasing the rate of timely submissions of audit reports in 2008. UNFPA is institutionalizing these efforts.

(d) UNFPA is designing a comprehensive, online tool to better manage the follow-up process for audit reports as well as to ensure consistency, accuracy and the timely recording of audit reports and audit plans in the national execution database.

(e) UNFPA is establishing a regional pool of qualified auditors able to conduct audits in several countries. UNFPA is also developing a comprehensive briefing package for them.

(f) Together with other relevant United Nations organizations, UNFPA is considering the need for engagement letters so that this practice may be harmonized, in view of the implementation of the harmonized approach to cash transfers.

28. With regard to the discrepancies between certificates of expenditure, audit reports, Atlas and the nationally executed expenditure database, UNFPA is developing a process to ensure systematic follow-up of significant discrepancies (paragraph 245).

29. The Tripartite Advisory Panel on Atlas issues is reviewing the proposal for an automated solution for leave tracking and accrual. By the end of 2009, UNFPA expects UNDP to institute an automated process that will generate monthly leave and leave-accrual reports reconciled with the leave provision in the financial statements. The Division for Human Resources of UNFPA will reissue the leave administration guidelines (paragraph 146).

30. With regard to timely signing of memorandums of understanding on shared services, UNFPA has advised country offices to enter into memorandums of understanding and service-level agreements at the time of, or prior to, the commencement of the agreement period. UNFPA expects to fully implement this provision by the end of the first quarter of 2009 (paragraph 285).

D. Technology and systems risk

31. This group includes recommendations relating to information systems management. There is one recommendation in this group (paragraph 186) – a medium-priority recommendation whose implementation is under way. The Division for Management Services has provided a template to all country offices to enable them to maintain disaster-recovery plans. The Division for Management Services and the regional offices are following up with country offices to ensure that the plans are implemented.

III. CONCLUSION

32. UNFPA is addressing recurrent and systemic audit issues, including national execution, procurement, leave management, timelines for completing performance appraisals and annual reports, and Atlas-related issues. UNFPA is working closely with Atlas partner organizations to resolve issues related to Atlas. UNFPA has implemented important measures in the areas of accountability, assurance, risk management and internal controls to address recurrent audit issues and systemic weaknesses. The managers of all divisions and units are held accountable for follow-up on all action related to external and internal audits.

33. UNFPA has included the implementation of the recommendations of the Board of Auditors, including the recommendations on national execution, as indicators for corporate, division and staff performance. The Operations Committee monitors the implementation of the recommendations of the Board of Auditors on a quarterly basis, and keeps the Executive Committee informed of outstanding issues and progress made.

34. National execution is a priority in the UNFPA strategic plan, 2008-2011. In response to General Assembly resolution 62/208 on the triennial comprehensive policy review of operational activities for the development of the United Nations system, UNFPA continues to work with other United Nations partners to promote national execution and to build national capacity within the context of the harmonized approach to cash transfers. This risk-based approach, which is being introduced in a phased manner, will provide greater assurance of the funds advanced to national implementing partners. UNFPA plans to strengthen risk management through an enterprise risk management framework. In addition, as a part of its strategic plan, 2008-2011, UNFPA continues to strengthen results-based management by fine-tuning its results framework.

35. UNFPA has fully institutionalized the follow-up process for external audit recommendations. It has implemented, or is in the process of implementing, all 58 accepted recommendations of the Board of Auditors for 2006-2007, and has completed action on 34 recommendations. UNFPA expects tc implement all recommendations by December 2009.

IV. RECOMMENDATION

36. The Executive Board may wish to take note of the present report (DP/FPA/2009/1) and the further action planned by UNFPA in implementing the recommendations of the United Nations Board of Auditors for 2006-2007.